

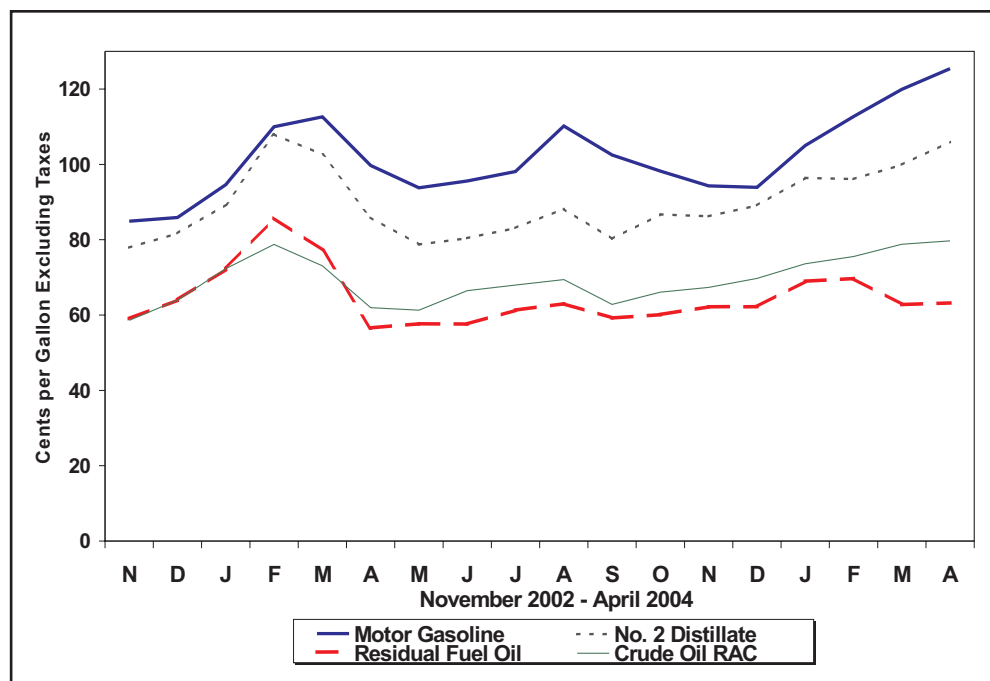
Highlights

Continuing the general trend seen in recent months, international oil prices remained in a high range throughout April. Robust demand for oil continued to be the main factor supporting the persistently high prices. Along with other economic indicators, the solid rise in oil demand that began in 2003 signaled the revitalization of economies across the globe. While demand for oil typically falls during the second quarter of the year, market forecasts indicate it will not drop as much in spring 2004 as in past years. Although many regions are expected to have higher rates of demand for oil this year, China continues to show a singular degree of increase. As the country's economy continues to prosper, the growth encourages higher oil consumption and contributes a degree of change in oil market dynamics. Besides growing world oil demand, trim U.S. gasoline inventories also continued to underpin crude oil prices. Although stocks registered modest gains by the end of April, apprehensiveness as to whether supplies would be adequate to meet summer driving season demand colored prices for all major petroleum products, particularly in Atlantic Basin markets. More support for prices came from the Organization of the Petroleum Exporting Countries (OPEC) decision to cut oil production by 1 million barrels per day that went into effect on April 1. Market information estimated some decline in production over the month, but less than the agreed upon rate. Notably, some market watchers believe that current supply rates are not adequate to allow rebuilding of oil stocks to a level that will meet coming demand without significant price increases. OPEC will meet again in early June in Beirut, Lebanon, where production quotas are expected to be a topic of discussion. Finally, political issues, specifically anti-government protests in Ven-

ezuela, labor unrest in Nigeria, and events in Iraq and Saudi Arabia, contributed to an overall sense of disquiet in petroleum markets. However, these issues were secondary to fundamental supply and demand factors that have affected—and continue to influence—oil prices.

Crude oil and refined product prices in the United States remained at high levels at the start of the second quarter of the 2004. Gasoline prices were particularly active, but other product prices were also volatile during April. Because inventories typically rise at this time of year, a reported decline in stocks of crude oil and many refined products in weekly inventory reports at the beginning of the month spurred prices upward. Along with lean inventories, brisk demand supported rising prices. Preliminary monthly data for implied demand show a 3.2 percent increase in demand for gasoline from the April 2003 level, and a 3.8 percent increase

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	April 2004		March 2004		April 2003		April 2004		March 2004		April 2003	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	139.6	59.3	133.8	59.1	120.1	61.9	125.4	316.3	119.9	308.5	99.7	302.3
Conventional	134.3	34.7	127.4	34.1	112.7	36.4	121.2	216.4	115.1	207.4	93.1	202.8
Regular	131.9	28.0	124.8	27.2	109.8	28.6	119.6	185.6	113.6	176.1	91.6	170.8
Midgrade	141.1	3.8	134.2	3.9	119.2	4.4	127.3	11.1	120.5	11.1	97.8	11.0
Premium	148.5	2.9	142.0	3.0	128.3	3.4	132.1	19.7	125.2	20.1	102.7	21.1
Oxygenated	143.0	1.6	135.5	2.1	114.8	2.1	129.8	7.6	124.0	8.9	105.6	7.2
Regular	140.9	1.3	133.4	1.7	112.9	1.7	128.9	6.2	122.7	7.1	105.0	5.7
Midgrade	148.9	0.2	140.9	0.2	117.5	0.2	129.9	1.0	124.4	1.1	102.4	1.0
Premium	159.4	0.1	151.1	0.1	131.5	0.1	140.9	0.5	136.4	0.7	118.3	0.5
Reformulated	147.4	23.0	143.2	22.9	132.0	23.4	134.8	92.3	130.2	92.2	113.7	92.3
Regular	143.9	17.0	139.7	16.9	128.8	17.4	132.2	73.2	127.6	72.8	110.7	71.5
Midgrade	153.2	2.8	148.8	2.7	137.0	2.8	141.5	5.4	136.7	5.5	123.1	6.1
Premium	161.3	3.2	156.9	3.3	144.8	3.1	146.0	13.8	141.2	13.9	124.5	14.7
Aviation Gasoline	177.4	0.1	W	W	W	W	155.7	0.6	148.9	0.6	126.8	0.4
Kerosene-Type Jet Fuel	106.6	48.2	102.7	47.3	82.2	42.2	103.4	10.6	101.4	10.1	82.6	11.0
Propane (Consumer Grade)	67.4	2.7	NA	3.8	52.6	1.9	60.4	31.4	61.9	40.9	53.9	30.5
Kerosene	139.8	0.1	NA	0.6	127.9	0.1	104.3	1.1	104.3	2.0	86.1	1.6
No. 1 Distillate	120.5	0.1	116.2	0.3	96.0	0.2	119.2	0.3	113.4	0.8	98.6	0.3
No. 2 Distillate	113.0	18.7	106.4	18.2	93.9	19.4	106.0	136.8	99.9	135.5	85.9	125.7
No. 2 Fuel Oil	102.0	2.3	101.1	2.4	91.0	2.7	95.5	18.3	93.6	21.1	82.4	22.9
No. 2 Diesel Fuel	114.6	16.4	107.3	15.8	94.4	16.7	107.6	118.5	101.0	114.3	86.7	102.8
Low Sulfur	118.2	11.3	109.6	11.0	98.5	11.3	109.1	102.3	102.2	97.5	87.2	92.0
High Sulfur	106.6	5.0	101.9	4.7	85.9	5.4	98.3	16.2	94.3	16.8	83.0	10.7
No. 4 Fuel^a	W	W	87.2	0.4	77.4	0.3	83.2	0.1	90.9	0.1	71.9	0.1
Residual Fuel Oil	66.7	10.7	67.5	10.9	64.5	10.3	63.2	6.9	62.8	5.8	56.6	6.7
Sulfur Content not > 1 %	75.7	4.0	76.3	4.0	78.1	2.8	69.9	3.3	67.3	3.2	60.0	3.8
Sulfur Content > 1 %	61.3	6.7	62.5	7.0	59.4	7.5	57.1	3.6	57.1	2.5	52.2	2.8

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

for distillates from the year-ago rate. Other factors affecting price trends include a drop in refinery inputs compared with the year-ago level, and lower imports of crude oil and refined products, particularly gasoline. Further, more stringent regional market-specific formulations for motor fuels have increased price volatility. Diesel fuel prices were especially mercurial in West Coast markets due to rising agricultural demand and to problems at three California refineries that reduced the availability of the product in the region. The Los Angeles spot market price for CARB diesel fuel opened April at \$1.260 per gallon and closed the month at \$1.545 per gallon. Jet fuel prices also saw significant increases during April, principally due to a combination of firm demand and lean stockpiles. The New York Harbor spot price for kerosene-type jet fuel rose from a low of 90.7 cents per gallon on April 5, to a high of

\$1.079 per gallon at the close of the month. A look at other New York Harbor spot market prices helps to illustrate the general tenor of petroleum products markets throughout the country. The monthly average price for regular gasoline was \$1.120 per gallon in April 2004, and \$1.091 per gallon last month. In April 2003, the average price was 79.9 cents per gallon, a 32.1 cents-per-gallon difference to the April 2004 price. The average price for low-sulfur diesel fuel (required for use on-highway) was 96.2 cents per gallon in April 2004, compared with 80.79 cents per gallon last year at this time. At Cushing, Oklahoma, the monthly average price for West Texas Intermediate crude oil was \$36.75 per barrel in April 2004, and \$28.17 per barrel in April 2003, a difference of \$8.58 per barrel.

Additional April market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma continued in the mid-\$30-per-barrel range throughout April. After opening at \$35.75 per barrel, the price lost some ground during the first days of the month, influenced by a decline in gasoline prices. The month's low, \$34.29 per barrel, was reached on April 5. The price rose firmly following the release of stocks reports that showed declines in petroleum products inventories. The high for the month was reached on April 12 when the price hit \$37.79 per barrel. From that point through the end of the month, it experienced only small changes in level. Closing at \$37.31 per barrel, the price was \$1.56 higher than where it began the month.

- Although modest, April monthly average crude oil prices show increases in all sales categories. The average domestic crude oil first purchase price climbed 35cents (1.1 percent), to \$33.21 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 62 cents (2.1 percent), to \$30.41 per barrel. The average landed cost of foreign crude oil inched up 4 cents (0.1 percent), to \$32.15 per barrel.
- The average refiner acquisition cost for domestic crude oil increased 78 cents (2.3 percent), to \$35.31 per barrel. The average cost of imported crude oil to U.S. refiners rose 17 cents (0.5 percent), to \$32.42 per barrel, while the composite refiner acquisition cost for crude oil increased 39 cents (1.2 percent), to \$33.48 per barrel.

Petroleum Products

Motor Gasoline

Spurred by ongoing concern about supplies, the daily spot price for regular gasoline at New York Harbor set new record highs during April. Opening at \$1.104, the price reached the month's low of \$1.011 on April 5. Rising sharply after that point, the price gained more than

10 cents in the 3 days preceding the Good Friday holiday. While the middle of April was quiet due to more favorable news about stocks and refinery activity, the price rose sharply again during the last week of the month. With concern rising about supplies for the coming driving season, the price repeatedly marked new record highs. Reaching the latest long-term high of \$1.239 per gallon on the final day of the month, the price closed April 13.5 cents higher than where it began.

- National average gasoline prices climbed firmly in April. The average price, excluding taxes, for retail sales of motor gasoline by refiners rose 5.8 cents to \$1.396 per gallon, while the average wholesale price increased 5.5 cents to \$1.254 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets rose 6.1 cents to \$1.377 per gallon. The average wholesale price for gasoline increased 5.0 cents to \$1.247 per gallon. The average dealer tank wagon (DTW) price rose 4.9 cents to \$1.302 per gallon, while the average rack price increased 6.1 cents to \$1.240 per gallon. The average bulk sale price rose 2.6 cents to \$1.108 per gallon. Reformulated gasoline prices outstripped conventional gasoline prices by 11.3 cents at retail and 10.3 cents at wholesale. Oxygenated gasoline prices were 6.0 cents above conventional gasoline prices at retail, and 8.2 cents more at wholesale.
- Refiner sales of motor gasoline increased during April. Total sales rose 8.0 million gallons per day (2.2 percent), to an average of 375.6 million gallons per day. Retail sales climbed 200,000 gallons per day (0.3 percent), while wholesales increased 7.8 million gallons per day (2.5 percent). Rack sales made up 68.7 percent of wholesales, while DTW and bulk sales accounted for 17.5 percent and 13.8 percent, respectively. RFG constituted 30.7 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.4 percent of sales.

No. 2 Distillate

While the general tone in the market buoyed the April daily spot price for No. 2 fuel oil at New York Harbor, growing concern about middle distillate inventories also supported the price. Opening at 89.3 cents per gallon, the price dropped to the month's low of 84.9 cents per gallon on April 5 on market technical factors and expectations of more positive news about petroleum products inventories. Following the market upward, the price reached its high of 96.4 cents per gallon on

April 15. Remaining well above the 90-cents-per-gallon mark for the remainder of the month, the price closed April at 95.3 cents per gallon, 6 cents higher than its beginning point.

- For the second month in a row, the only No. 2 distillate price not to increase was the national average residential sales price, which remained essentially flat in April at \$1.412 per gallon. The average wholesale price rose 6.2 cents to \$1.063 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets increased 5.7 cents, while the average No. 2 diesel fuel wholesale price climbed 6.5 cents. The margin between low- and high-sulfur diesel fuel prices was 3.0 cents at retail and 8.7 cents at wholesale.
- Overall, refiner sales of No. 2 distillates rose in April. Total sales climbed 1.9 million gallons per day (1.2 percent), to 155.5 million gallons per day. Sales of No. 2 fuel oil dropped again, decreasing 2.9 million gallons per day (12.3 percent), while sales of No. 2 diesel fuel increased 4.8 million gallons per day (3.7 percent). Low-sulfur diesel fuel accounted for 84.2 percent of all refiner diesel fuel sales, and 73.1 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- The direction of residual fuel oil prices was varied in April. Refiner prices for low-sulfur residual fuel oil declined 0.6 cent to 75.7 cents per gallon at retail, but rose 2.6 cents to 69.9 cents per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil dropped 1.2 cents to 61.3 cents per gallon, while the wholesale price remained flat at 57.1 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average price for

low-sulfur residual fuel oil fell 1.5 cents to 72.0 cents per gallon at retail, but rose 3.7 cents to 68.1 cents per gallon at wholesale. The retail price for high-sulfur residual fuel oil increased 0.6 cent to 62.1 cents per gallon, while the wholesale price rose 2.0 cents to 61.3 cents per gallon.

- Refiner residual fuel oil sales increased during April. Total sales climbed 900,000 gallons per day (5.4 percent). Low-sulfur residual fuel oil sales increased 100,000 gallons per day (1.4 percent), while high-sulfur residual fuel oil sales rose 800,000 gallons per day (8.4 percent).

Other Products

- Trends for April monthly average prices for products included in this section were mixed. The refiner wholesale price for propane declined 1.5 cents per gallon. Including data from a sample of propane marketers, the average residential propane price fell 3.7 cents per gallon, while the average retail price decreased 3.6 cents per gallon. The average wholesale propane price declined 1.7 cents per gallon. Prices for kerosene-type jet fuel and No. 1 distillate climbed at both retail and wholesale. The wholesale prices for aviation gasoline rose, while the No. 4 distillate wholesale prices declined. The wholesale price for kerosene remained flat in April.
- Refiner sales of these products were varied in April. Sales of kerosene-type jet fuel increased at both levels, while sales of propane, kerosene, and No. 1 distillate declined at retail and wholesale. No. 4 distillate sales rose at the wholesale level, while sales of aviation gasoline were flat at wholesale.